TRACKING FINANCIAL HEALTH OF AMERICAN HOUSEHOLDS

A White Paper

October 2021

AMERICAN CONSUMER CREDIT COUNSELING, INC.
The Credit Counseling Professionals

CONTENTS

Introduction

Founded in 1991, American Consumer Credit Counseling, Inc. (ACCC) is a nonprofit (501) (c)(3) organization, offering confidential consumer credit counseling services, debt management, budget counseling, bankruptcy counseling, housing counseling, student loan counseling and financial education to consumers nationwide. ACCC is a leader in the credit counseling industry and is dedicated to helping people regain control of their finances and plan for a debt-free future.

Our professionally trained and certified counselors assist individuals in all of their financial needs and provide a plan of action to address their financial situation. ACCC is a member of the National Foundation for Credit Counseling (NFCC), is accredited by the Council on Accreditation (COA) and is accredited by the Better Business Bureau with an A+ rating.

ACCC strives to empower consumers to regain control over the quality of their lives through financial education, counseling, and debt management. We also seek to develop a community of financially responsible individuals and families that will thrive for generations to come. Through collaboration with community partners and financial institutions, ACCC is dedicated to providing unsurpassed financial education and services to those who need it most.

The ACCC Financial Health Index was created to measure how Americans feel about their household finances and the overall U.S. economy. The Financial Health Index debuted in the First Quarter of 2020 – as the COVID-19 pandemic was just beginning a period of public health crisis and economic disruption that continues on some level to this day. The intent of the Financial Health Index is to understand and measure – on a quarterly basis in any given year - Americans' circumstances around income security, financial stability, and household debt levels.

The Financial Health Index allowed us to better understand the financial priorities of Americans and the most critical financial challenges they faced as our nation endured during the pandemic year of 2020. During the course of ACCC's collection, analysis and distribution of data and findings for the Financial Health Index, our survey data, information graphics and public media releases were distributed to more than 450 organizations and individuals and received media coverage reaching more than 470 million potential readers at US News, ValuePenguin, Yahoo! Finance, Forbes, The Street, Boston Herald, Boston Business Journal and more.

The findings, analysis, conclusions, and recommendations contained herein are based on five quarterly Financial Health Index surveys from Q1 2020 through Q1 2021.

Executive Summary

- The Financial Health Index debuted in the First Quarter of 2020. It is designed to understand and measure – on a quarterly basis in any given year - Americans' circumstances around income security, financial stability, and household debt levels.
- Each Financial Health Index quarterly survey had an average of 430 participants aged 25-65 with an income of $100,000 or less, representing the median of the working population in the U.S.
- All of the primary issues and conditions that cause clients to seek assistance from ACCC were in some way escalated or worsened for millions of Americans as a result of the economic fallout from COVID-19. This ranges from job loss and lost income to medical disabilities and unexpected expenses.
- The extremes of household financial impact ranged very broadly over the course of the five financial quarters in which the Financial Health Index has been collected to date. In March 2020, 80 percent of all those surveyed reported a financial impact from COVID-19. In March 2021, consumer confidence and hope had returned in many American households.
- The fundamental principals of strong household budgeting, financial readiness and planning, controlling debt, and building emergency savings were vividly illustrated during the pandemic year of 2020. Consumers who had adhered to these principals were better prepared for the economic shock. Those who may not have – but adopted new habits and practices as a result – will be better prepared for unexpected or crisis events in the future.
- Americans must prepare for a worst-case financial scenario. The COVID-19 pandemic was an economic storm in addition to being an unprecedented public health crisis. It tested the resilience of the U.S. economy and placed historic levels of stress and hardship on the U.S. workforce. This experience underscored - perhaps more than any event in over 75 years – that American consumers and households must be prepared with a sound financial plan, good budgeting practices, and a combination of emergency savings and responsible debt management.

The ACCC Financial Health Index

The Financial Health Index was created to measure how Americans feel about their household finances and the overall U.S. economy – debuting incidentally at the start of the COVID-19 pandemic, an unprecedented time for all. To understand Americans' circumstances, financial priorities and challenges, respondents were surveyed on questions regarding income security, financial stability, and household debt levels, which are all pressing issues on Americans' minds.

The Financial Health Index allowed a better understanding throughout these times of hardship what the priorities of Americans were and how these were changing as the situation was evolving.

Each poll had an average of 430 participants aged 25-65 with an income of $100,000 or less, representing the median of the working population in the U.S. These demographics also broadly reflect the segment of American consumers from which ACCC clients and referrals typically come. The ACCC Financial Health Index poll typically has a margin of error of plus-or-minus 5 percent – consistent with statistical standards for the sample size.

In 2020, the median gross income of ACCC clients was $52,430.51 - although roughly half of the survey participants make $50,000-$99,000. During 2020, the top 5 reasons why clients and referrals sought counseling from ACCC were income reduction (36.8%), unexpected expenses (29.9%), collection problems (12.7%), job loss (10.8%) and medical disabilities (9.1%).

Thanks to the data collected, ACCC was able to create valuable internal points from which to draw unique insights, while gathering external data points used to align the information with and provide context around the economic conditions all Americans were facing. To put it into context we can analyze the results from the first poll at the beginning of the pandemic. Of those surveyed, 80 percent had been impacted by the shutdown of entire economic sectors. In contrast, among the external points, the estimate was that 37 million jobs would be lost.

The external points also touched on what different entities were doing to alleviate the financial burden, so Americans could be aware of the options they had to navigate their finances during these difficult times. This included the massive and historic federal relief effort – which appropriated nearly $2.6 trillion as of October 2020 for pandemic response and economic recovery.

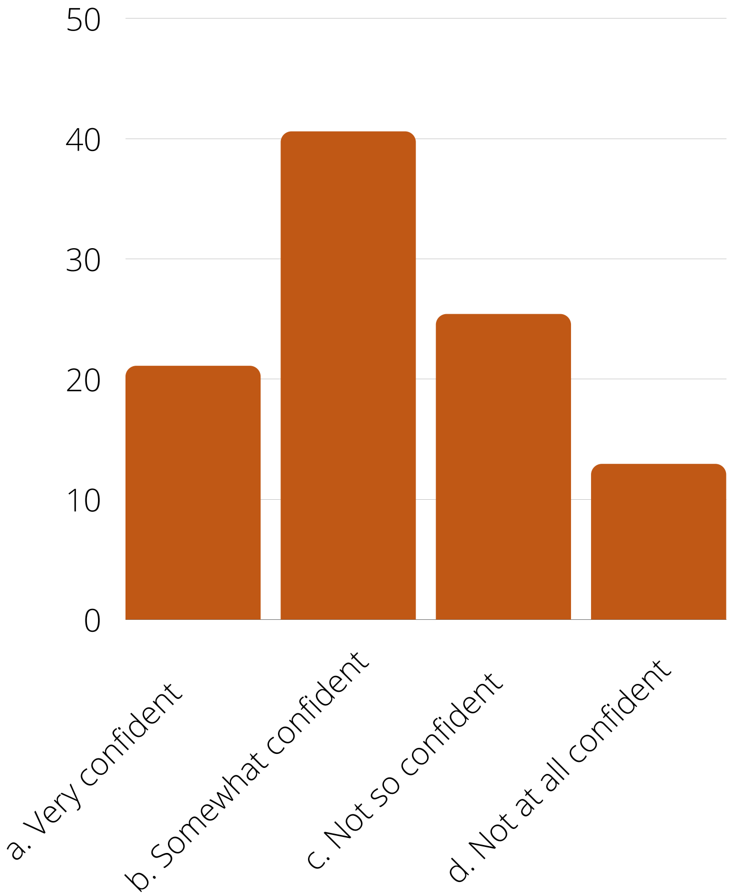
Critical Observations, Recommendations and Solutions

The financial lessons of the pandemic year 2020 – while largely reflective of the most common household budget and financial challenges Americans face – were exacerbated by the unprecedented financial stress that COVID-19 placed on tens of millions of Americans. The recommendations and proposed solution below address several of the most illuminating findings gathered through five quarters of the Financial Health Index:

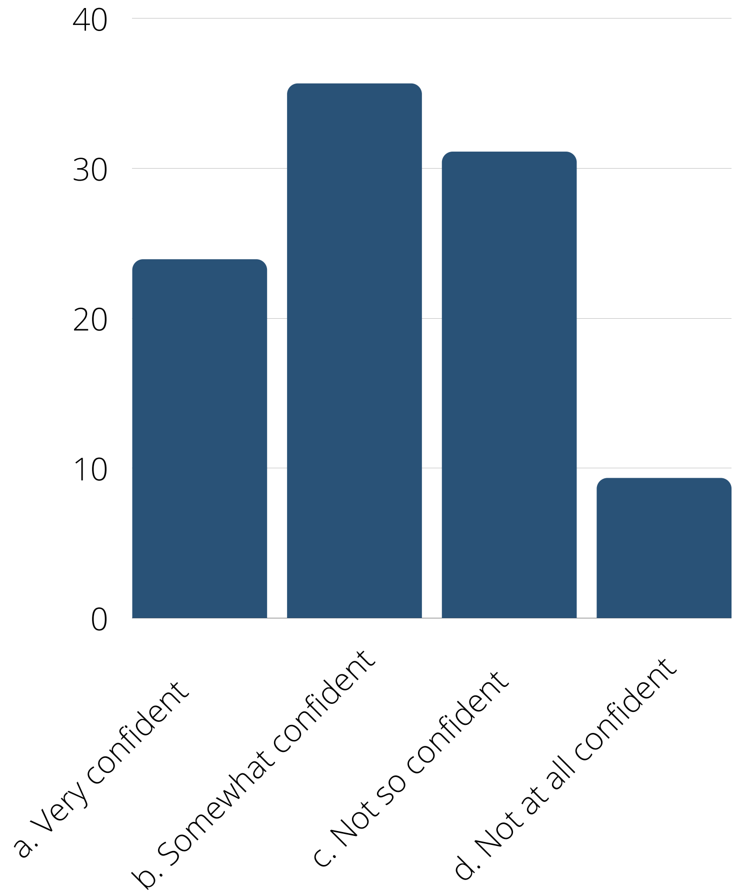
Household Debt

We learned many consumers in the U.S. are not very confident that they can reduce their total debt by even 10 percent over six months. Just 36 percent of those polled in December 2020 said they were "somewhat confident" in their ability to reduce total debt by 10 percent over the next six months. That declined from 41 percent in the Q3 survey. And those who were not confident in their ability to cut debt by 10 percent rose to 40 percent from 38 percent since September 2020. This is a major challenge and a significant threat to household financial health.

September 2020



December 2020



How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

There are two major strategies that consumers can use to pay down debt: the debt avalanche and the debt snowball. With the debt avalanche method, consumers should pay down debts in order of interest starting with the highest interest rate. With this method it is important to focus on paying off one balance at a time in order of interest rate while still paying the minimum on others. The benefit of this method is to pay debt off faster and pay less interest. With the snowball method, consumers will pay debt in order of balance amount starting with the smallest balance. If debts have the same balance, they should start by paying the one with the higher interest rate. It is important to focus on paying off one balance at a time in order of smallest to largest while making minimum payments to the others.

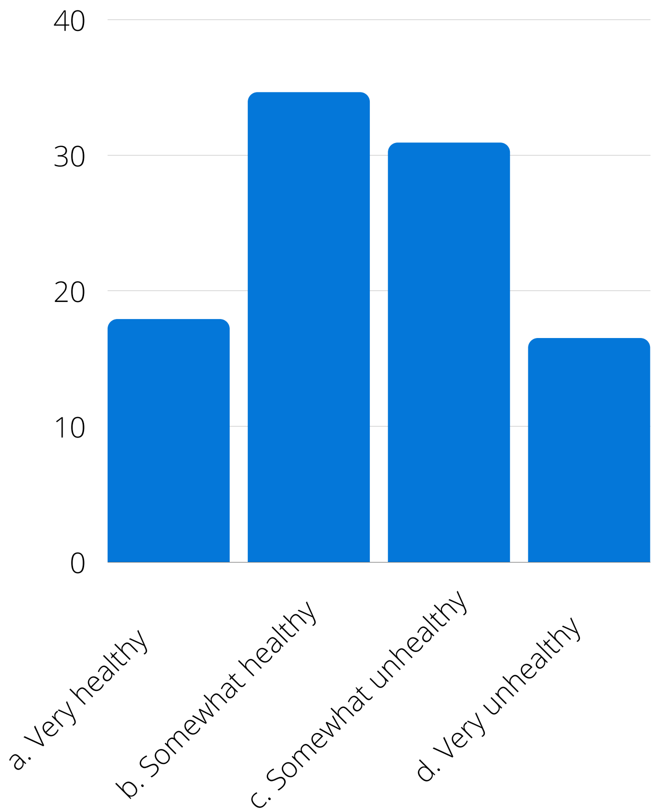
Emergency Preparedness and Reserve Funds

ACCC found that by March 2021, more consumers were feeling better about their employment stability than they did at the start of the pandemic. We learned that as the year went on, more consumers felt confident that their employment status and income would still be secure in six months. An emergency fund is the best defense and readiness tool for unforeseen circumstances, such as a sudden job loss or health crisis which many have experienced over the past year. When starting and building an emergency fund, consumers should aim to put five to ten percent of each paycheck into a separate emergency account. Cut back on unnecessary expenses, such as eating out or buying coffee, and put that money towards an emergency fund. Any extra cash a consumer may find themselves with should go directly towards their emergency fund. It is important to be patient, as sometimes these funds take time to build. Many months even. An emergency fund should ideally be able to cover three to six months of household expenses. It provides peace of mind and enough financial breathing room to navigate and adapt to unforeseen events.

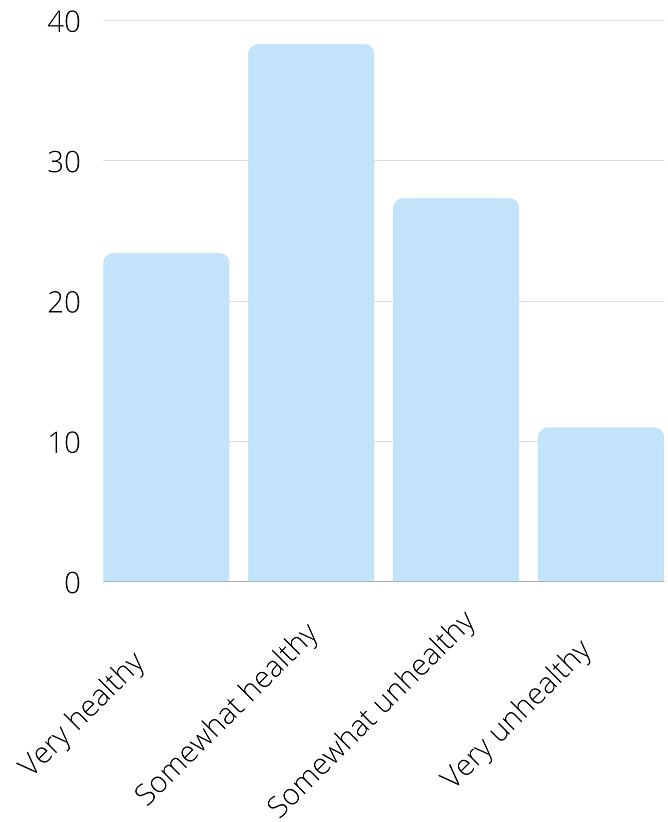
Debt To Income Ratio

By March 2021, ACCC found that more consumers felt their debt-to-income ratio was either ‘somewhat healthy’ or ‘very healthy.’ This ratio is important because it is what lenders use to determine whether you are a good credit risk. Ideally consumers’ debt-to-income ratio should not exceed 43 percent. To improve this ratio, consumers either need to decrease their debt or increase their income. To manage credit card debt, consumers should figure out how much credit card debt they have in total and calculate their income amounts on a month-by-month timeline. Then, subtract monthly expenses from the average monthly income and use the remainder amount to pay off debt, starting with credit lines that have the highest interest rates.

March 2020



March 2021



How would you describe your current debt-to-income ratio?

Income and Overall Consumer Confidence

We observed over the course of the pandemic year of 2020 that many consumers did not have a high level of comfort based on their total household income. At the height of the COVID-19 pandemic, consumers were being laid off or had their hours cut significantly causing uncertainty on how to handle their finances. In this situation, it is important that consumers prioritize their expenses. Take a look at your budget and make adjustments as necessary. Cut down on expenses that fall under the "want" category, such as takeout or entertainment, and place a priority on the necessities, such as food and housing. If necessary, contact lenders and creditors to see if they can help with a payment plan or deferment. The global crisis of 2020 presented an opportunity for banks, mortgage companies and other lenders to demonstrate their commitment to providing relief and flexibility for borrowers facing major hardships. Anecdotally and based on our observations and interactions with clients, the response to consumer needs was largely positive and the industry of banks and lenders made significant efforts to meet these needs in an unprecedented crisis.

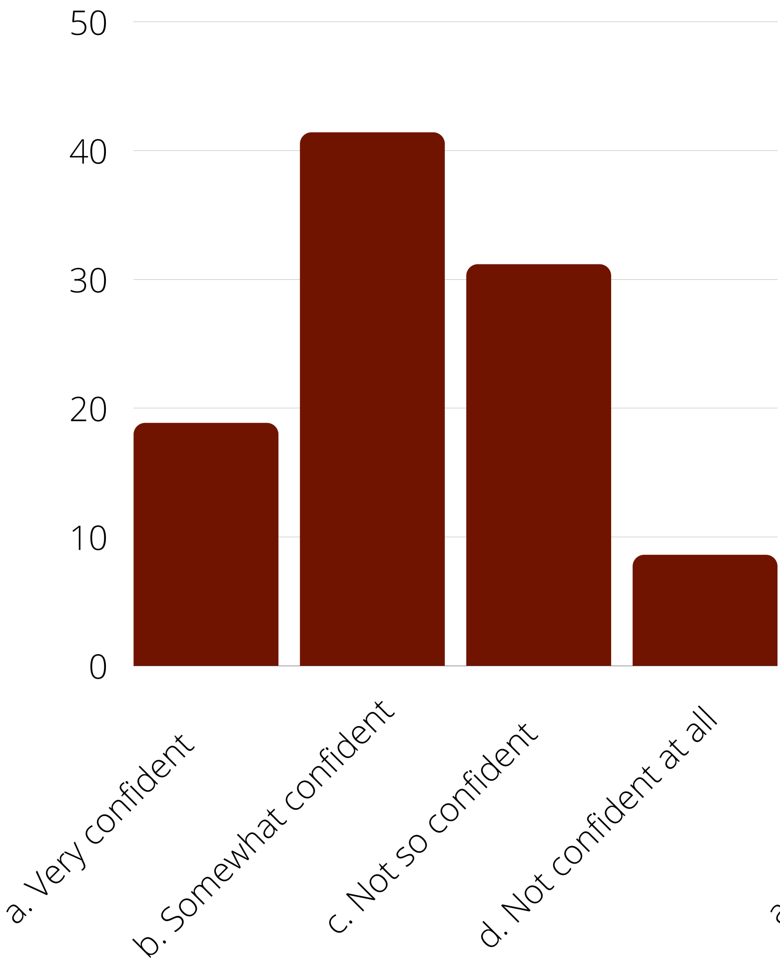
Protecting Retirement Savings

ACCC found that almost a quarter of consumers started tapping into their 401(k) or other retirement funds to help get through economic shutdowns and cope with the uncertainty the COVID-19 pandemic caused. This may have been the most alarming and stark reality that we encountered in our collection of data for the Financial Health Index. Consumers have three years to pay back the money they withdrew in 2020. If they do not pay that money back, it is then considered an early withdrawal meaning the consumer will have to pay income tax on the sum. This option may seem cheaper for the time being given the high interest rates credit card companies offer, but this is just the beginning of the financial uncertainty for some consumers, which could make it nearly impossible to pay back the sum. Withdrawing from a 401(k) should be a last resort for consumers. It is important that consumers consider other options such as personal loans, dipping into an emergency fund, or a home equity loan.

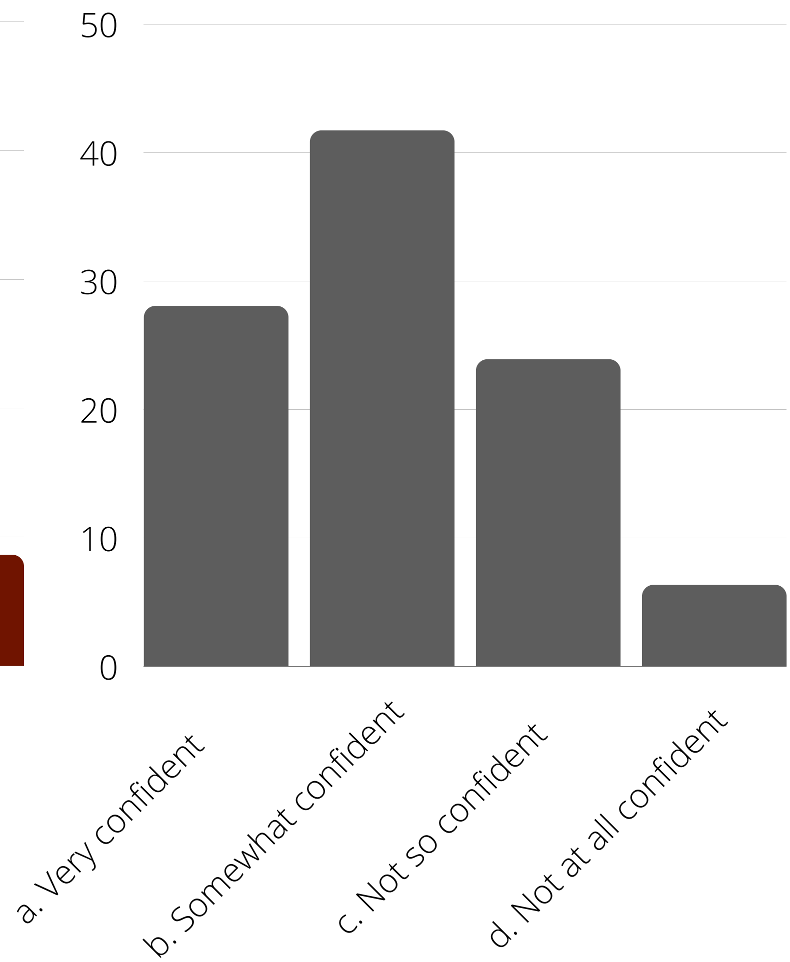
Overcoming a Worst-Case Scenario

We learned that majority of consumers' confidence in their financial health was badly shaken by the COVID-19 public health crisis. For many, by the second quarter of 2020, it was likely seen as the worst-case scenario their household economy could ever encounter. Experiencing this will cause many consumers to experience financial anxieties, and they may not know what actions they should be taking to improve their financial health. However, it is also an opportunity to recognize that households can overcome even the direst circumstances with proper action. Consumers should take a moment to re-evaluate their finances, starting by looking at their budget, so they can get themselves back on track. This is especially useful for consumers who are finding themselves running out of money before the end of the month. It is important consumers check their credit score and credit report to ensure there are no errors. Consumers should address any issues regarding debt so they don't dig themselves a deeper hole. Lastly, consumers should look at their overall expenses over the last couple months to see what areas they can afford to scale back on.

March 2020



March 2021



What is your confidence and level of concern around income security and continued employment six months from today?

Relief from credit card issuers and other lenders

ACCC found that consumers were seeking relief from credit card issuers in large numbers as financial confidence continued to suffer from COVID-19. Of those that requested financial relief from a credit card company, most received deferred payments. In a world filled with credit cards, it is easy for consumers to accumulate debt. The best way for consumers to avoid credit card debt is to have a budget and be aware of how much they can afford to spend. Paying with cash whenever possible is another way consumers can avoid overspending. Limiting the amount of credit cards a consumer has can lessen the credit available to them which will help decrease their chance of falling into debt. If necessary, consumers may need to consider calling a credit counseling agency to get help evaluating the situation to help determine a realistic payment plan, which may involve enrolling in a debt management plan.

When you are worse off now than a year ago

ACCC learned that the majority of consumers surveyed were worse off at the end of 2020 than they were at the end of 2019. This may not have come as a surprise to followers of the Financial Health Index, but the experience was not universal. Many of those outside the Financial Health Index survey demographic experienced little hardship in comparison. Building back wealth will take time and perseverance.

The most important way to build wealth is creating and sticking to a realistic budget and knowing how to save. Figure out how much money is coming in each month and where it is being allocated. Consider putting a percentage of each paycheck into a savings account. Debt is seen as the biggest obstacle in this process. Consumers should focus on eliminating their debt so they can focus on saving. They may also want to considering finding more ways to build income, such as getting a second job or accessing opportunities made available by the rapidly expanding gig economy and freelance marketplace.

Goal setting

We found that consumers' financial goals shifted for many Americans after COVID-19. Staying ahead of bills and rebuilding an emergency fund were now seen as the biggest priorities among consumers. Prior to setting financial goals, consumers should be reviewing their finances from the previous year and note any changes in income or expenses. It is important that consumers set realistic and attainable goals. Consider setting both short-term and long-term goals. Consumers should be sure to track all spending and other financial behaviors to ensure they are on track with both their budget and their goals.

Conclusion

The ACCC Financial Health Index was created as a tool for monitoring and understanding household finance and budget priorities and challenges within a demographic relevant to ACCC's client base – and one that represents at least 40 percent of all U.S. income earners.

The range of data and information from five quarters of the Financial Health Index strongly reinforce that good principles of budgeting, financial preparedness and planning will serve American households well at times of great challenge or crisis. These principles include controlling total debt, building an emergency or reserve fund, having a disciplined household budget, protecting retirement savings, and setting financial goals.

Having experienced – as a nation – one of the worst economic shocks in close to a century, Americans should have a full appreciation for the necessity of being financially prepared for a worst-case scenario.

6. Appendices

Appendix A – Q1 2020 Financial Health Index Data

March 2020 Financial Health Index – 430 Participants

1. How would you describe your current level of comfort based on total household income?

a. Very comfortable: 10.47%
b. Somewhat comfortable: 48.14%
c. Somewhat uncomfortable: 30%
d. Very uncomfortable: 11.4%

2. How would you describe your current level of employment stability?

a. Very stable: 26.98%
b. Somewhat stable: 43.95%
c. Somewhat unstable: 16.74%
d. Very unstable: 12.33%

3. How would you describe your current level of confidence in the U.S. economy?

a. Very confident: 12.79%
b. Somewhat confident: 31.40%
c. No so confident: 39.53%
d. Not confident at all: 16.28%

4. How would you describe your current debt-to-income ratio?

a. Very healthy: 17.91%
b. Somewhat healthy: 34.65%
c. Somewhat unhealthy: 30.93%
d. Very unhealthy: 16.51%

5. What is your confidence and level of concern around income security and continued employment six months from today?

a. Very confident: 18.84%
b. Somewhat confident: 41.40%
c. Not so confident: 31.16%
d. Not confident at all: 8.60%

6. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 21.63%
b. Somewhat confident: 38.37%
c. Not so confident: 23.95%
d. Not confident at all: 16.05%

7. How significantly has COVID-19 impacted your financial health?

a. My finances have been significantly impacted: 29.07%
b. My finances have been somewhat impacted: 49.53%
c. My finances have not at all been impacted: 21.40%

Internal Data Points:

- Data based on 430 respondents who are ages 25-65 in the U.S. with incomes of $100,000 or less.
- Nearly 80% of respondents stated that COVID-19 has at least somewhat impacted their finances. For 30% of respondents, the impact has been severe.
- Only 26% of respondents say that their employment is currently very stable, and only 19% of respondents say that they are confident that their income and employment will still be stable 6 months from now.
- 40% of respondents are not confident that they will be able to reduce their debt by 10% over the next 6 months. Interestingly, the remaining 60% are either somewhat or very confident that they can reduce their debt over the next 6 months, despite the fact that only 19% are confident that their income and employment will be stable.

External Data Points:

- 37 million jobs could be lost due to COVID-19. The restaurant industry will be one of the hardest hit industries.
- Experts say long-term investors should not panic and sell stocks. It typically pays to wait it out, especially for younger investors who have decades until retirement. Selling stocks now in a panic could hurt your finances in the long run.
- Many economists believe that the current slump could be as bad, if not worse, than the 2007-2009 recession. Some estimates state that the unemployment rate will climb to 7.4% by the end of the year. Americans with student loan debt will be able to temporarily stop paying on their student loans without accruing interest. Education Secretary Betsy DeVos directed all federal student loan servicers to grant "administrative forbearance" to any borrower with federal loans for at least two months, if they request one.

Appendix B – Q2 2020 Financial Health Index Data

June 2020 Financial Health Index – 411 Participants

1. How would you describe your current level of comfort based on total household income?

a. Very comfortable: 13.87%
b. Somewhat comfortable: 48.18%
c. Somewhat uncomfortable: 26.28%
d. Very uncomfortable: 11.68%

2. How would you describe your current level of employment stability?

a. Very stable: 34.31%
b. Somewhat stable: 38.69%
c. Somewhat unstable: 14.36%
d. Very unstable: 12.65%

3. How would you describe your current level of confidence in the U.S. economy?

a. Very confident: 10.46%
b. Somewhat confident: 27.98%
c. Not so confident: 38.44%
d. Not confident at all: 23.11%

4. How would you describe your current debt-to-income ratio?

a. Very healthy: 19.95%
b. Somewhat healthy: 40.63%
c. Somewhat unhealthy: 25.06%
d. Very unhealthy: 14.36%

5. What is your confidence and level of concern around income security and continued employment six months from today?

a. Very confident: 25.55%
b. Somewhat confident: 38.20%
c. Not so confident: 24.84%
d. Not confident at all: 11.44%

6. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 26.76%
b. Somewhat confident: 37.96%
c. Not so confident: 23.60%
d. Not confident at all: 11.68%

7. Have you borrowed against or withdrawn money from your 401k plan or other retirement savings?

a. Yes: 21.65%
b. No: 73.97%
c. I am considering borrowing against or withdrawing from my retirement savings: 4.38%

Internal Data Points:

- There was no significant change in how comfortable people felt about their total household income from March to June. Those participating in the survey have annual incomes of $100,000 or less, with roughly half of them making $50,000-$99,000.
- Interestingly, in June, we saw an increase in the number of participants who rate their employment stability as "very stable" compared to March. In March, 27% of participants said their employment was very stable, and in June, it rose to 34%.
- The percentage of people who are not confident at all in the U.S. economy rose from 16% in March to 23% in June.
- Another unexpected statistic is that in March, only 19% of participants were very confident in their continued employment and income security six months from now, and in June, that number rose to 26%. These are most likely people who were able to continue working through the pandemic, and probably assume that if they did not get laid off during the peak of the pandemic, they will still be employed and have the same income level by the end of the year. However, the vast majority (74%) of participants are only somewhat confident or not confident in their continued employment.
- Twenty-two percent of participants borrowed against their retirement savings. Four percent are still considering it.

External Data Points:

- The economy gained 2.5 million jobs in May as many states started to reopen around Memorial Day, and the unemployment rate fell from 14.7% to 13.3%.
- The first week of April, 6.5 million people filed for unemployment. By the second week of June, 1.5 million people filed for unemployment. As of June 13, the total number of people collecting unemployment was 19.5 million, down from 25 million in early May.
- Travel and tourism have been some of the hardest hit industries during COVID-19, and hotel occupancy was only around 20% in April, which is 70% below the average occupancy at the same time last year. However, in June, hotel occupancy is now at around 40%.
- Unemployed Americans have been receiving an extra $600 a week, but that is set to stop by the end of July. However, those payments will most likely run out even earlier than expected, with some sources predicting the extra $600 payments will end a week earlier than anticipated.

APPENDIX C – Q3 2020 FINANCIAL HEALTH INDEX DATA

SEPTEMBER 2020 FINANCIAL HEALTH INDEX – 441 PARTICIPANTS

1. How would you describe your current level of comfort based on total household income?

a. Very comfortable: 11.11%
b. Somewhat comfortable: 51.70%
c. Somewhat uncomfortable: 24.72%
d. Very uncomfortable: 12.47%

2. How would you describe your current level of employment stability?

a. Very stable: 35.83%
b. Somewhat stable: 39%
c. Somewhat unstable: 14.97%
d. Very unstable: 10.2%

3. How would you describe your current level of confidence in the U.S. economy?

a. Very confident: 9.07%
b. Somewhat confident: 33.79%
c. Not so confident: 40.82%
d. Not at all confident: 16.33%

4. How would you describe your current debt-to-income ratio?

a. Very healthy: 18.59%
b. Somewhat healthy: 38.10%
c. Somewhat unhealthy: 29.02%
d. Very unhealthy: 14.29%

5. What is your confidence and level of concern around income security and continued employment six months from today?

a. Very confident: 22.45%
b. Somewhat confident: 44.67%
c. Not so confident: 23.36%
d. Not at all confident: 9.52%

6. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 21.09%
b. Somewhat confident: 40.59%
c. Not so confident: 25.40%
d. Not at all confident: 12.93%

7. Have you requested any financial relief from your credit card companies due to the pandemic?

a. Yes: 23.13%
b. No: 76.87%

8. If yes, what were the concessions you received?

a. Lowered payment: 23.17%
b. Deferred payment: 40.24%
c. Reduced interest rate: 16.46%
d. Relief denied: 20.12%

Internal Data Points:

- The percentage of participants who feel "very comfortable" about their total household income fell slightly from 14% in June to 11% in September. There were no significant changes in how participants rate their level of employment stability. In March and June, 71% of participants rated their employment stability as either very stable or somewhat stable. In September, it rose slightly to 75%.
- The percentage of participants who are "not confident at all" in the U.S. economy fell from 23% down to 16%, which was the level it was in March.
- In June, 26% of participants rated their confidence around income security and continued employment in 6 months as "very confident," and that number fell to 22% in September. However, those who are "somewhat confident" rose to 45% in September from 38% in June.
- Twenty-three percent of participants have sought financial relief from their credit card companies. The most common form of relief they received was deferred payments (40%), followed by lowered payments (23%), and reduced interest rates (16%). Twenty percent were denied relief.

External Data Points:

- The economy added 1.4 million jobs in August, and the unemployment rate fell to 8.4 percent, down from 14.7 percent in April and 10.2 percent in July. However, according to Pew Research Center, half of adults who say they lost their job during COVID-19 are still unemployed.
- In August, U.S. consumer confidence fell to its lowest level in six years. This was due to the resurgence of COVID-19 cases in many parts of the country.
- Many major credit card companies are offering financial relief programs. For example, American Express offers cardholders to enroll in a short-term repayment plan for 12 months, in which minimum payments and interest rates are lowered. Bank of America cardholders can call and request payment deferrals. Chase Bank stated customers can delay up to three payments on their credit cards, though interest will continue to accrue.

DECEMBER 2020 FINANCIAL HEALTH INDEX – 418 PARTICIPANTS

9. How would you describe your current level of comfort based on total household income?

a. Very comfortable: 13.40%
b. Somewhat comfortable: 47.61%
c. Somewhat uncomfortable: 27.75%
d. Very uncomfortable: 11.24%

10. How would you describe your current level of employment stability?

a. Very stable: 29.90%
b. Somewhat stable: 39.23%
c. Somewhat unstable: 16.27%
d. Very unstable: 14.59%

11. How would you describe your current level of confidence in the U.S. economy?

a. Very confident: 9.33%
b. Somewhat confident: 34.45%
c. Not so confident: 41.39%
d. Not at all confident: 14.83%

12. How would you describe your current debt-to-income ratio?

a. Very healthy: 18.90%
b. Somewhat healthy: 40.67%
c. Somewhat unhealthy: 27.51%
d. Very unhealthy: 12.92%

13. What is your confidence and level of concern around income security and continued employment six months from today?

a. Very confident: 22.25%
b. Somewhat confident: 41.39%
c. Not so confident: 27.51%
d. Not at all confident: 8.85%

14. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 23.92%
b. Somewhat confident: 35.65%
c. Not so confident: 31.10%
d. Not at all confident: 9.33%

15. Are you worse off financially at the end of 2020 than you were at the end of 2019 ?

a. Yes: 55.26%
b. No: 44.74%

Internal Data Points:

- In September, 36% of respondents said that they felt their current employment was "very stable." In December, it dropped to 30%. The percentage of respondents who feel that their employment is "very unstable" rose to nearly 15% from 10% in September.
- In September, 41% of respondents said that they were somewhat confident that they could reduce their debt by at least 10 percent over the next six months, but in December, that number fell to 36%. Additionally, in September, 25% of respondents said that they were no confident they could reduce their debt in the next six months, and that number rose to 31% in December.
- Back in March at the start of the pandemic, 29% of respondents said that their finances had been "significantly impacted" by COVID-19, while 21% said that their finances had not been impacted at all. Now at the end of 2020, 55% of respondents say that they are worse off than they were at the end of 2019.
- Interestingly, there was no significant change from September to December in consumers' confidence in the U.S. economy. A small percentage (9% in both September and December) say that they are "very confident" in the U.S. economy. In September, 16% said that they were "not confident at all" in the U.S. economy, and in December, it stayed relatively consistent at 15%. The vast majority of respondents still fall somewhere in the middle.

External Data Points:

- By the end of December, almost 2 million Americans received the COVID-19 vaccine, and health officials say that by the end of June, every American should have access to the vaccine. Many Americans are hopeful that this means life should return to normal by the summer of 2021.
- At the time of this survey's distribution, the push to increase the second round of stimulus checks from $600 to $2,000 was blocked in the Senate by Mitch McConnell. The Treasury Department has said that the $600 payments will start going out in early January.
- The new COVID relief bill does not include an extension of the deferment on federal student loan payments. Without this extension, student loan borrowers must start making payments again in February 2021, though it appears unlikely that the economy will have fully recovered by then.
- In December, the U.S. economy added 245,000 jobs and the unemployment rate fell to 6.7%, but there are still 10 million fewer jobs in the U.S. than there were before the pandemic started.

MARCH 2021 FINANCIAL HEALTH INDEX – 410 PARTICIPANTS

16. How would you describe your current level of comfort based on total household income?

a. Very comfortable: 17.32%
b. Somewhat comfortable: 52.20%
c. Somewhat uncomfortable: 23.90%
d. Very uncomfortable: 6.59%

17. How would you describe your current level of employment stability?

a. Very stable: 37.32%
b. Somewhat stable: 42.20%
c. Somewhat unstable: 10.00%
d. Very unstable: 10.49%

18. How would you describe your current level of confidence in the U.S. economy?

a. Very confident: 11.71%
b. Somewhat confident: 36.83%
c. Not so confident: 35.37%
d. Not at all confident: 16.10%

19. How would you describe your current debt-to-income ratio?

a. Very healthy: 23.41%
b. Somewhat healthy: 38.29%
c. Somewhat unhealthy: 27.32%
d. Very unhealthy: 10.98%

20. What is your confidence and level of concern around income security and continued employment six months from today?

a. Very confident: 28.05%
b. Somewhat confident: 41.71%
c. Not so confident: 23.90%
d. Not at all confident: 6.34%

21. How confident are you in your ability to reduce your debt by at least 10 percent over the next six months?

a. Very confident: 30.73%
b. Somewhat confident: 37.32%
c. Not so confident: 21.22%
d. Not at all confident: 10.73%

22. What was your top financial goal before the pandemic?

a. Saving for a large purchase (e.g. a house, car, wedding, etc.): 26.59%
b. Paying off debt: 40.00%
c. Saving for retirement: 17.07%
d. Saving for emergencies: 11.71%
e. Other: 4.63%

23. What is your top financial goal now?

a. Replenishing emergency fund: 18.58%
b. Finding a new job: 14.43%
c. Keeping up with monthly expenses: 24.45%
d. My goal is the same as it was before the pandemic: 39.36%
e. Other: 3.18%

Internal Data Points:

- In December 2020, 30% of respondents said that their employment stability was “very stable.” In March 2021, it increased to 37%. Additionally, in December, nearly 15% of respondents said that their employment was very unstable, which decreased to only 10% in March. Year over year, we see a 10% improvement in respondents who say that their employment is very stable – in March 2020, at the beginning of the pandemic, only 27% of respondents felt their employment was very stable.
    - Year over year, there is also a 10% improvement in respondents who are confident in their income security and continued employment six months from now. In March 2020, only 18% of respondents were very confident they would still have a stable income in six months, and by March 2021, it increased to 28%.
- In December 2020, only 24% of respondents were very confident that they could reduce their debt by at least 10% over the next six months. This increased to 31% in March 2021.
- Confidence in the U.S. economy has remained relatively unchanged from December to March. Comparing March 2020 and March 2021, there is also no significant change in respondents’ confidence in the U.S. economy. In March 2020, 13% of respondents were very confident in the U.S. economy, and in March 2021, 12% of respondents were very confident in the U.S. economy.
- Before the pandemic, 40% of respondents said that their top financial goal was paying off debt. Another 27% said that their top goal was saving for a large purchase. A year into the pandemic, 60% of respondents’ financial goals have changed, with 24% of respondents saying that their top financial goal now is to simply keep up with monthly expenses. Another 18% say that their top goal is replenishing their emergency fund, while 14% say that their top goal is to find a new job.

External Data Points:

- At the end of March 2021, new applications for unemployment benefits fell below 700,000 for the first time since the pandemic began last year. The states that saw the biggest decrease in unemployment claims were Illinois, Ohio, and California.
- About 127 million Americans received their $1,400 stimulus check in mid-March, though nearly 30 million people on Supplemental Social Security Income have still not received it.
- Labor force participation rates for parents remains 6% below pre-pandemic levels. School closures and remote learning arrangements continue to be an issue for working parents. However, the Organization for Economic Cooperation and Development said that the U.S. economy is forecast to grow by 6.5% this year and 4% next year. It is also estimated that the U.S. labor market will see less long-term damage from the pandemic than from the global financial crisis of 2008.
- Roughly 6 in 10 American adults have reported already getting the vaccine or intending to get one, and 70% of people 65+ have been vaccinated. As more people are vaccinated, more states will start opening up restaurants and other businesses, which will help with the overall economic recovery.